



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

May 13, 2003

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To: Supervisor Yvonne Brathwaite Burke, Chair  
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From: David E. Janssen  
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County Counsel

Jon W. Fullinwider  
Chief Information Officer

J. Tyler McCauley  
Auditor-Controller

**APRIL 29, 2003 BOARD MOTION REGARDING LITIGATION COSTS**

On April 29, 2003 your Board instructed the Chief Administrative Office (CAO), Auditor-Controller (A-C) and County Counsel to provide:

- An update on efforts to implement systems, including the Risk Management Information System (RMIS), to track litigation cost and any concerns and challenges;
- An update on how much we are spending on litigation cost; and our ability to save any portion of \$3.4 million;
- A plan to save, during fiscal year 2003-04, at least 5% litigation cost; and
- A plan for implementing the recommendations set forth in the March 25, 2003 memorandum.

### **RMIS IMPLEMENTATION STATUS UPDATE**

This section of this status update reports on the progress of the Countywide Risk Management Information System (RMIS) Project's user acceptance, which began in March 2003 and implementing the recommendations as set forth in the March 25, 2003 memorandum. Since that time, a RMIS Steering Committee was formed to prioritize changes in business processes and to plan for future system enhancements. The Steering Committee is comprised of representatives from the Chief Administrative Office (CAO), County Counsel and the Chief Information Office (CIO). The Steering Committee will now be expanded to include the Auditor-Controller (A-C).

#### **Background**

On March 6, 2001, your Board approved the development and implementation of a new, state-of-the-art Risk Management and Claims Administration Information System (RMIS). Your Board further instructed the CAO, County Counsel, and all affected department heads to develop an implementation plan for departmental use of RMIS and instructed each department/district head to be accountable for the use of RMIS as part of the annual Management Appraisal and Performance Plan (MAPP).

Your Board's July 16, 2002, approval of a contract amendment with Risk Technologies, Inc. (RTI), the RMIS contractor, included a project time line, an enterprise license purchase option, and additional data conversion services to enable the CAO to accommodate various needs of departments.

#### **RMIS Accomplishments to Date**

As of March 4, 2003, the following primary RMIS modules were loaded onto the County's servers for final acceptance and in addition, the following unanticipated events have surfaced:

- **RMIS Claims Administration Module:** The previous separate systems utilized by County Counsel, the Executive Office, and the County's Third Party Administrators (TPAs), Carl Warren and Company and Octagon Risk Services, have been discontinued. These entities were transitioned to the Claims Administration Module of RMIS.
- **RMIS Electronic Incident Reporting Module:** The County's TPAs are currently using this module to enter incident reports received from the departments. This module will be available to departments once they have received training on the use of this module.

- **RMIS Litigation Management/Tracking Module:** County Counsel and the County's TPAs are now using the RMIS Litigation Management/Tracking Module.
- **Unanticipated Additional Users:** RMIS was expanded to include a number of additional County Counsel user groups; for example in April 2003, County Counsel's Children Services Division, Public Works and General Litigation attorneys were added. Such additional groups required as much training and support as was originally provided to the anticipated user groups.
- **Unanticipated Enhancements:** The unanticipated user groups required enhancements or changes to RMIS, which were subsequently incorporated into the system.

#### **Outstanding Implementation Issues**

Outlined below are current outstanding issues and an anticipated timeline for completion of the contract:

- **Complete Timesheet and Billing Module Testing:** CAO, CIO and County Counsel are currently completing user acceptance of the final components of the Claims Administration and Litigation Management modules of RMIS. The final components are:
  - In-house Attorney Timesheet Entry
  - Payment Processing
  - In-house Attorney Time Posting
  - Invoice Billing and Reports

The Steering Committee expects testing of these components to be completed in June 2003.

- **Complete County Data Conversion:** CAO, CIO and County Counsel are working to complete the final data conversion of historic in-house attorney fees into RMIS. The conversion of this data has been particularly laborious due to the data's quality and the high volume of transactions. The Steering Committee expects data conversion to be completed in June 2003.
- **Develop Custom Reports:** The RMIS project team has been working with County Counsel, TPA staff and major County departments to identify and develop key specialized reports for claims management, litigation management, and risk management. Due to data scrubbing and unanticipated enhancements

to RMIS, development of these reports has been delayed until June 2003. The Ad Hoc Report Writer's testing is anticipated to be completed in June 2003.

- **Test Remaining Modules:** Several RMIS tracking modules have not been accepted by the County because of the extended testing phase of the Claims Administration module. The remaining modules to be delivered to the County are: Policy Tracker, Certificate Tracker, Asset Tracker, Notes, Diaries, and Calendar functions. Delivery of the remaining RMIS modules will be delayed until June 2003.
- **Disaster Recovery and Business Continuity Plan:** The Internal Services Department (ISD), who is hosting the RMIS servers, notified the CAO and CIO that it is developing a disaster recovery plan for its server farm. The servers are backed up regularly, but at the present time, no alternate hardware or alternate site has been identified for use in case of a major disaster. To minimize the risk of a catastrophic failure of the system, CAO, ISD and CIO staff will work together to develop a disaster recovery and business continuity plan.

### Emerging Issues

Listed below are critical RMIS issues that must be addressed, which are currently outside the scope of the current contract and will require additional resources and a contract amendment:

- **New User Groups:** The Steering Committee has identified additional user groups, such as the A-C Warrant Investigations that handles claims and makes payments. These groups require further needs analysis and will result in additional modifications to RMIS.
- **RMIS Enhancements for Additional Efficiency:** During RMIS implementation, County Counsel and the CAO have begun to document ways to streamline their information workflows and increase efficiency and effectiveness in communicating with other departments by identifying additional enhancements to the system. While these enhancements fall outside the scope of the current RTI contract, a few enhancements have been identified as being crucial to support faster, more efficient data input into the system, which were addressed through the use of the contract's contingency funds.
- **Board Motion to Implement Auditor-Controller's Recommendations:** The Board's recent motion to implement the Auditor-Controller's recommendations of March 25, 2003, by July 1, 2003, was unanticipated. The motion will require time consuming RMIS program modifications and recoding of a significant number of

files. The nature and timing of the changes recommended by the A-C will delay the original testing and acceptance schedule of the Claims Administration module, and impact the accounting operations of the Insurance Budget, Judgments and Damages Budget and County Counsel Operating Budget. Staff time meant for implementation of RMIS will now be diverted to meet this requirement, and will, likely, cost an additional \$50,000, which will be submitted to before your Board through an upcoming amendment.

### **Steering Committee Recommendations**

On March 4, 2003, the County began user acceptance of the primary RMIS modules. Immediately upon entry into this phase, data scrubbing and conversion issues, unanticipated enhancements and expansion of users groups have impacted the County's user acceptance. In addition, the Board's direction to go forward with the A-C recommendations further impacts the user acceptance.

Therefore, the RMIS Steering Committee is recommending the following approach:

- The Steering Committee recommends that we continue implementing RMIS under the current contract specifications, complete testing and accept RMIS in accordance with the project's timeline. The Steering Committee anticipates this phase to be accomplished by June 2003. This recommendation will allow us to resolve outstanding issues, test and accept outstanding system modules and allow us to finalize the entry of attorney billing for FY 2002-03. This approach will also provide for the delay of the synchronization of RMIS and CAPS into FY 2003-04, and provide adequate time for the RMIS staff to move forward with an amended contract to include additional enhancements and requirements.
- Delay the implementation of the A-C's recommendations in RMIS until after June 2003. The Steering Committee anticipates the recommendations would be met by November 2003. Thereafter, a RMIS-CAPS reconciliation process for data entered since July 1, 2003 will be necessary.
- Following final system acceptance, the Steering Committee will prioritize RMIS future enhancements, Board requirements (A-C recommendations), and outstanding issues. At that time, a request will be submitted to your Board for funds, staff and additional contracting authority to implement these requirements.

### **LITIGATION COST STATUS AND PLAN TO REDUCE COSTS UPDATE**

At the April 29, 2003 meeting, your Board also requested an update on litigation costs this fiscal year compared to the prior fiscal year, and a plan to save at least 5% in litigation cost during the 2003-2004 fiscal year. Due to the current unavailability of the RMIS for these purposes, a comparison of total litigation costs for the current fiscal year to costs for the last fiscal year (as of March 1 of each year), exclusive of workers' compensation, dependency, MTA and Metrolink, and based on the information available from County Counsel's and the Internal Services Department's prior data systems, is being compiled and will be provided to your Board under separate cover when completed.

In last year's budget actions, your Board retained the sum of \$3.48 million in Provisional Funding Uses for various anticipated additional litigation-related services and supplies rather than transfer that amount to the Judgments and Damages budget. The idea was to see what actually transpired with regard to such anticipated litigation during the year before actually reallocating these funds to the litigation budget. With regard to additional anticipated litigation matters envisioned by this amount, some of the anticipated expenditures have been avoided by a favorable settlement in one case and favorable pretrial rulings in another case which have minimized ongoing pretrial and trial proceedings, and attendant costs, during the present fiscal year. It should be noted, however, that the favorable pretrial rulings have been appealed and that there is always the possibility that further rulings will reactivate trial court proceedings and require additional litigation costs in the future. In addition, other envisioned anticipated litigation costs for major cases, such as the County's lawsuit against insurers relating to 1994 earthquake damages, which were expected to commence trial or involve substantial pretrial proceedings in 2002-2003 have been realized and are ongoing.

With regard to a plan to save at least 5% in litigation costs during the 2003-2004 fiscal year, this is an aspirational goal which the County Counsel, together with your Board, the County's Risk Manager and County departments, through their designated Risk Management Coordinators, will strive to achieve or exceed, not only for the next fiscal year, but in future years as well. However, it must be recognized that basing such a goal on litigation expenditures in a prior year may be illusory as the number and nature of lawsuits requiring active defense or prosecution in court may change and are largely not within the County's control. The best way to limit the County's overall litigation costs is to pursue the risk management efforts recently called for by your Board in an effort to reduce the number of claims and lawsuits filed against the County in future years.

Heightened attention to litigation costs and a focus on risk management and regular review of each case to assure the most cost effective approach consistent with the County's and affected department's interests have been implemented through the County Counsel's protocols and procedures for assessment, monitoring and review of

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County liability litigation presented to your Board in August of 2002. Additionally, each County department has designated, or is in the process of designating, a Risk Management Coordinator, pursuant to your Board's direction. These Risk Management Coordinators will be incorporated into the roundtables and other ongoing litigation assessment efforts. Also, the County's Risk Manager and County Counsel's soon to be appointed Litigation Cost Manager will be increasingly involved with overall departmental litigation cost assessments as well as assessments in particular cases and areas of identified higher risk litigation.

All of these risk and cost management processes, procedures and efforts should result, in the future, in the type of litigation cost savings which your Board and each County department desires. Although much of the required effort to properly defend a lawsuit against the County or to prosecute an action in which the County is a plaintiff is beyond the County's immediate control, due to the vagaries of actions by the courts, opposing attorneys and their clients, we nevertheless believe that through continuing our active and persistent attention to cost effectiveness and overall risk management factors in assessing and managing each lawsuit cost saving efficiencies will be realized.

However, as noted earlier, the root causes of County liability must be addressed through active and persistent follow-up of corrective and remedial action plans and loss control plans developed to reduce particular identified liability litigation risks, as well as risk management assessment of County programs, practices, employee actions and training which may be identified by the County Risk Manager and departmental Risk Management Coordinators recently designated at the direction of your Board. The most significant potential reductions in County litigation costs will be realized by reducing the numbers and magnitude of claims and lawsuits filed against the County by addressing and minimizing the actions of the County and its employees which result in liability litigation.

If you have any questions concerning RMIS, please call Rocky Armfield, County Risk Manager at (213) 351-5346.

DEJ:RA  
DU:CY

Attachments

c: Executive Officer, Board of Supervisors